

Key Mechanisms of Successful Development of Family Entrepreneurship in Rural Areas (The case of Uzbekistan)

Professor Shayzak Kholmuminov

Tashkent (Uzbekistan) State University of Economics as a Deputy Rector.

E-mail address: shukhrat.kholmuminov@strath.ac.uk / shkholmuminov@gmail.com

Abstract

This is the first scientific article that indicates the main economic, organizational and legal mechanisms of successful development of the family business which is one of the types of private entrepreneurship as well as this article gives the new characteristics to the term of “family entrepreneurship”. The article also discusses the main trends of increasing income and material wealth of Uzbekistan rural population which are the key factors in the successful development of family entrepreneurship.

Key Words: Family Entrepreneurship; Agriculture; Sustainability; Rural Areas; Uzbekistan:

During the independence years of Uzbekistan, the result of successful application of market economy mechanisms' gross domestic product of small business and private entrepreneurship increased from 2% in 1991 to 52,5% in 2010. It is the fact that today more than 74% of labor force is engaged in this sphere proves that it is one of the main sectors that serve as a source of income for population. Only in 2010, as a result of development of small business and private entrepreneurship 480,000 workplaces have been created and 60% of them show that favorable conditions are created in rural areas for development of family business.

The results that are being achieved do not infer that opportunities for developing the entrepreneurship are not being used in full. As a President of Uzbekistan I. A. Karimov stated in “**The concept of deepening democratic reforms and strengthening civil society**”, currently it is important to support the small business and private entrepreneurship in order to increase the achievements brought by these opportunities. Thus formulation of organizational-legal basis for small business and private entrepreneurship and putting them into practice should become one of the main tasks in the process of in deepening economic reforms.

Logically, the family business and family entrepreneurship are the forms of entrepreneurship. Though as a concept it is used less often than other categories in market economy of our country, it has its own history and meaning .

In our view, **the family entrepreneurship is a private activity that is based on production of goods or delivery of services by members of family enterprise who receive income, own private property and have a common goal.**

Besides, for rural population the family entrepreneurship has the same social-economic importance as family business. Since in family entrepreneurship, the processes from production of certain agricultural products to their distribution to consumers is carried out by members of one family. The most of the income which obtains through the processes of production, storage, processing, packaging, advertising, conducting market research leads to increase the wealth of the family.

Therefore, it is important to develop family entrepreneurship and apply following **mechanisms**:

- Developing a **law “On family entrepreneurship”** and create organizational, legal, economic and social basis for its practical application;
- Awarding the status of a legal body to the family enterprise;
- Defining optimal tax boundary to be applied to family entrepreneurship;
- Guaranteeing economic-financial and legal independence;
- Supporting with creation of material and technical and innovation-technology basis;
- Providing credit on the basis of family business plans, marketing programs and financial results;
- Terminating illegal interference into family entrepreneurship activities;
- Providing free export-import opportunities, while give them some discount from tax payments (at least for two years);
- Organizing seminars and trainings for family enterprises and others.

Application of above mechanisms will not only contribute to successful development of family entrepreneurship but will also serve as a fundament for **increasing income of rural population** in followings:

- salaries and wages in kind will increase to double and more;
- quality of production of goods and delivery of services as well as amount of crop will raise;
- base of new technology will be created;
- income will be based on production and delivery of ecologically pure and quality products;
- units of family production and social infrastructures will develop;
- financial-economic sustainability can be ensured.

Family enterprise should have the legal status of a small enterprise. The law should provide for more favorable conditions to family enterprise development rather than for the development of private entrepreneurship. If family enterprises are granted 2 years partial land tax remissions then its sustainability would also increase.

However, the one of the hindrances to development of family entrepreneurship in rural areas is the provision of equipments. In order to overcome this barrier, it is necessary to provide long term credits and attracting mini-equipments and technologies on leasing basis. Also it is necessary to provide opportunities for family entrepreneurs during their first two years of activity to purchase mineral fertilizers, chemicals, feeding stuff and water resources at reduced prices.

In my opinion, if each member of a farming enterprise is provided with 0,30hectares of land, then they will not only be provided with employment for a year, but their income and living standards will also increase. Every member of animal agriculture enterprise should be (at least) provided with 5 hectares of land that is not suitable for farming, but water and natural resources are available.

Family enterprise owners should limit and save their usage of mini technologies for processing and storage of farm commodities. Otherwise, the level of naturalness and the quality of the goods will be damaged. What's more, the storage of farm commodities in natural accommodations rather than in large refrigerators will reduce the cost of products and increase the quality which can lead to increase the income of any family.

It is useful to utilize experience of old farmers and stock-breeders systematically. Also, there are many regions in Uzbekistan Republic where different type of family enterprises can be established and developed. For instance, Urgut region specializes and has extensive experience in tobacco growing, Chust – in craftsmanship, Gijduvan – in production of delights. This proficiency should be disseminated at seminars-trainings and covered in mass media.

In family entrepreneurship, the processes from production of goods to their delivery to the consumers require many single-functioned specialists. It is true that nowadays the quality and quantity of specialists meet the requirements are enough. However, the number of personnel aware of processing, storage and advertising is not enough.

In order to solve the issue above, it is necessary to organize (based on consumers demand) distance, 2-3 month intramural, 4-6 month evening courses on processing, storage and advertising at higher and secondary specialized educational establishments upon request. Those courses should not cover only local, but international experience as well. Besides, these courses should pay attention to such areas as a legal basis for running business, information-communication technologies and English language.

Besides, it is essential to create information-resource centers (libraries) in addition to the above mentioned. They should include and provide learning materials, books, newspapers and magazines on specialized subjects. The head of the family business should have a basic knowledge of jurisprudence, economics and agricultural engineering. He/she should have deep knowledge from accounting, financing, taxation, banking and other subjects.

On the other hand, it is impossible to expect high income without one of the main mechanisms of private entrepreneurship development – targeted financing. During the first two years of business activity the problem with self-financing can be observed. In this case, it is advisable to obtain credits from crediting organizations with rates lower than those of the Central Bank, if this is not achievable main means of production can be borrowed from similar companies on the basis of agreements and at low rates. Whenever the above mentioned financing do not prove to be profitable and the need to acquire equipment and technologies, then a small foreign investments can be attracted.

One of the main mechanisms of successful development of family entrepreneurship is a level of sensitive distribution of income. It will ensure participation coefficient which means the encouragement of family members and attracted workforce. In our point of view, all income should be distributed upon decision of a family council of the family enterprise.

Studies and researches show that it is better to establish family businesses on areas where the labor force exceeds the amount of land available for farming or breeding as there is not a great need in financial, material and natural resources for that. This will not only provide employment opportunities for population (decrease unemployment rate) but will also favor economic growth and increase income.

In our opinion, since development of family entrepreneurship consists of legal, economic, organizational and educational mechanisms, **the scientific-legal counseling centers should be established** in areas with more than 100 families. The objective from this is to provide organizational-legal, economical, agricultural-technological, psychological and other skillful and expert advices, while organizing some seminar-trainings that will strengthen successful development of family entrepreneurship.